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OFFICE OF SPECIAL EDUCATION AND
REHABILITATIVE SERVICES
REHABILITATION SERVICES ADMINISTRATION
WASHINGTON, D.C. 20202

INFORMATION MEMORANDUM
RSA-IM-04-14
RSM-3015
DATE: August 11, 2004

TO : State Vocational Rehabilitation Agencies (General)
State Vocational Rehabilitation Agencies (Blind)
Client Assistance Programs
Regional Rehabilitation Continuing Education Programs
RSA Senior Management Team

SUBJECT : Randolph-Sheppard Vending Facility Program, FY 2002 Annual Report

Attached is a copy of the Rehabilitation Services Administration (RSA) FY 2002 annual report that is based on the "Report of Vending Facility Program" (Form RSA-15) for the reporting period October 1, 2001 through September 30, 2002 submitted by State licensing agencies pursuant to the Randolph-Sheppard Act.

The Randolph-Sheppard Vending Facility Program has continued to provide persons who are blind with remunerative employment at increasing levels of earnings. A total of 2,681 blind vendors operated 3,129 vending facilities located on Federal and other property. The program generated $453.4 million in gross income and $97.0 million in net earnings to vendors. This resulted in national average annual vendor earnings of $37,323.

The Mississippi Rehabilitation, Research and Training Center on Low Vision and Blindness prepared this comprehensive Annual Report. Funding was provided by RSA. The Report contains extensive statistical and financial information that can be used to enhance and promote the Randolph-Sheppard Program.

INQUIRIES: Please direct any questions concerning this report to Ms. Suzette E. Haynes, Management & Program Analyst, 400 Maryland Avenue, Room 5022 (PCP), Washington, DC 20202-2800, telephone number: (202) 245-7374.

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Joanne Wilson
Commissioner

Attachment

RANDOLPH-SHEPPARD VENDING FACILITY PROGRAM

ANNUAL REPORT FISCAL YEAR 2002

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Director

Rehabilitation Research and Training Center
on Blindness and Low Vision
Mississippi State University

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EXECUTIVE SUMMARY

The Vending Facility Program authorized by the Randolph-Sheppard Act (P.L. 74-732, as amended by P. L. 83-565 and P. L. 93-516; 20 U.S.C. section 107 et seq.) provides persons who are blind with remunerative employment and self-support through the operation of vending facilities on Federal and other property. The program, enacted into law in 1936, was intended to enhance employment opportunities for trained, licensed blind persons to operate facilities. At the outset, sundry stands were placed in the lobbies of Federal office buildings and post offices. The law was subsequently amended in 1954 and again in 1974 to ultimately ensure individuals who are blind a "priority" in the operation of vending facilities, which included cafeterias, snack bars, and automatic vending machines, on Federal property.

Over 30,000 persons who are blind have been employed in this program since its inception in 1936. The program has broadened considerably from Federal locations to also include State, county, municipal, and private installations.

The following statistical information is based upon the form "RSA - 15" submitted by the 51 State Licensing Agencies (SLAs) for the period October 1, 2001 through September 30, 2002 to satisfy the statutory requirements for an annual report under 20 U.S.C. section 107b(4) and 34 CFR section 395.3(11)(ix). While the term "blind vendor" is used throughout the report and in the Code of Federal Regulations, most agencies use more contemporary and meaningful job titles, such as Facility Manager or Operator to refer to Licensed Facility Managers.

In FY 2002, there were 3,129 vending facilities of which 1,097 were located on Federal property and 2,032 on non-Federal property, providing employment for 2,681 blind vendors of which 912 were on Federal property and 1,769 were on non-Federal property. These figures represent an overall decrease of 64 vending facilities and 31 vendors relative to FY 2001.

The gross income (including gross sales, vending machine and other income) from all facilities totaled $453.4 million, down $12.9 million from FY 2001 ($466.3 million). This produced total vendor earnings of $97.0 million – $2.0 million more than in FY 2001. The national average annual earnings of all vendors was $37,323 in FY 2002, $2,396 more than in FY 2001.

The average annual earnings of vendors is determined by dividing the vendors' total earnings by the number of vendor person years. In FY 2002, the number of vendor person years was 2,600.

There are marked differences in the administration of the Vending Facility Program from state to state. This report identifies differences in data on the following specific types of facilities: Snack Bars and Other Facilities, Vending Machines, and Cafeterias.

In FY 2002, there were a total of 3,129 vending facilities of which 1,374 (43.9%) were Snack Bars and Other Facilities, 348 (11.1%) were Cafeterias, and 1,407 (45.0%) were Vending Machines. Of the total vending facilities, there were 1,097 (35.1%) on Federal property, and 2,032 (64.9%) on non-Federal property.

Snack Bars and Other Facilities were the largest of the three categories with 1,374 facilities. The gross sales for this type of facility was $186.7 million or 42.7% of the total program gross ($437.2 million). The average vendor earnings was $30,720.

There were 348 cafeteria facilities. The gross sales from cafeterias was $103.2 million or 23.6% of the total. The average vendor earnings for this category was $48,676.

There were 1,407 vending machine facilities. The gross sales from vending machines was $147.4 million or 33.7% of the total gross sales. The average vendor earnings for this category was $41,961.

Total program expenditures for administering the Vending Facility Program by the SLAs was $65.8 million in FY 2002. The funding for those expenditures came from the following sources of support: machine income - $16.6 million; levied set-aside from vendors - $11.5 million; State appropriations - $6.2 million; and Federal (Section 110 funds) - $31.4 million.

The General Services Administration was the largest Federal property landlord with 399 facilities. The U. S. Postal Service was second with 335 facilities, and the U. S. Department of Defense was third with a total of 122 facilities. The remaining facilities were dispersed among a variety of Federal and other agencies (See Table 11).

In FY 2002, the 51 SLAs reported that 476.3 person years were used to administer the Vending Facility Program. They also reported that 269 blind persons were trained to become vendors of which 146 or 54.3% were placed as licensed vendors and that 582 potential sites were surveyed of which 205 or 35.2% were accepted.

In addition to the 2,681 licensed blind operators employed by the Vending Facility Program, the program employed 337 individuals with visual impairments and 278 with other disabilities.

The RSA - 15 report provides data on SLA participation in the Interstate Highway Program. In FY 2002, 43 SLAs participated in that program. Since the District of

Columbia, Puerto Rico, and the states of Alaska and Hawaii have no interstate highways, only 4 states eligible to participate are not taking part in this program.

The following additional information may be valuable in reviewing this report. First, it should be recognized that business opportunities for blind persons in the Randolph-Sheppard Program may be limited by the resources available to the State Licensing Agency and/or by the availability of vending sites on Federal and other property in a given state. State licensing agencies should find the comparative data available in these tables helpful for making program decisions and expanding business opportunities for blind entrepreneurs. States with similar profiles may wish to enter discussions about mutual problems and achievements. One important gauge of the value of this report will be the advancement of employment opportunities for blind persons in each state's vending facility program.

It should also be noted that complete data on program expenditures for one State Licensing Agency were not available and were estimated using the prior year RSA-15 data. In addition, one SLA reported negative average vendor earnings for cafeterias (Table 3), and one SLA reported negative average vendor earnings for snack/other facilities (Table 5). In both cases the SLAs were contacted and they verified that the vendors and/or programs involved incurred net losses which are reflected in negative vendor earnings and when divided by vendor person years, negative average earnings as reported.

In Table 4, "0" average earnings were reported by one SLA even though vendor earnings are reported. Some states permit licensed facility managers to operate up to two facilities (a primary facility and a satellite facility). In this case, a facility manager was operating two facilities, and the SLA reported 1 vendor person year for the primary facility (cafeteria) and 0 vendor person years for the satellite facility (vending machines). Although vendor earnings were reported for that particular vendor under vending machines, "0" average earnings were computed given that 0 vendor person years were reported by the SLA.

Lastly, a negative state appropriation was reported by one SLA in Table 13. The SLA was contacted and verified the accuracy of the number.

PROGRAM DATA HIGHLIGHTS

This report and accompanying tables are based on RSA - 15 data reported by SLAs on three specific types of vending facilities, as defined under the Randolph-Sheppard regulations in the following manner:

1. “Snack Bars and Other Facilities” means all types of business enterprises which are not included under the cafeteria and vending machine definitions. The category includes snack bars (wet/dry facilities) and sundry locations.

2. “Vending Machine Facility” means an automated coin or currency operated facility which dispenses a variety of food and refreshment items and services. The licensed business operator is responsible for the complete management of the machines and the area in which they are located. The vendor also must be located on the premises and provide such functions as loading and servicing such machines and other necessary customer - related services.

3. “Cafeteria” means a food dispensing facility capable of providing a broad variety of prepared foods and beverages (including hot meals) primarily through the use of a line where the customer serves himself from displayed selections. A cafeteria may be fully automatic or have some limited waiter or waitress service, and table or booth seating facilities are always provided.

INCOME STATEMENT

The Vending Facility Program utilizes an income account of about nine items. Gross profits and net earnings are reported with adequate supporting information indicating how the figures were obtained, as shown in the following statement for FY 2002.

Fig. 1 - Sales, Profit, and Earnings, FY 2002

Item	$Million	Percent
Gross Sales	437.2	100.0
Cost of Goods Sold	227.5	52.0
Gross Profit	209.7	48.0
Operating Expenses	116.3	26.6
Operating Profit	93.4	21.4
Other Income	16.2	3.7
Net Proceeds	109.6	25.1
Set-Aside Funds	12.8	2.9
Net Profit	96.8	22.1
Earnings	97.0[a]	22.2

Note: Differences in calculation of totals are due to rounding.
[a] Includes $227,084 under Fair Minimum Return as reported in RSA-15, Section 1 - Line 10.

Gross Sales and Profit

In FY 2002, the Vending Facility Program reported gross annual sales of $437.2 million, cost of goods sold of $227.5 million, for a gross profit of $209.7 million, or 48.0% of gross sales.

The margin of gross profit among the 51 programs ranged from 22.5% in Montana to 63.7% in New Mexico. The margin of profit varied among the three types of facilities as follows: 55.1% for cafeterias, 50.2% for vending machines, and 42.3% for snack bars and other.

Operating Expenses and Profit

After deducting $116.3 million operating expenses in payments for equipment, maintenance and repairs, supplies, wages, rent, utilities, insurance, licenses, State and local taxes, the program realized an operating profit of $93.4 million, or 21.4% of gross sales.

Vending Machine/Other Income and Net Proceeds

The $16.2 million vending machine income distributed to vendors and other income from subsidies and other sources accruing to the vending facilities, added to the $93.4 million operating profit, yielded $109.6 million in net proceeds, or 25.1 % of gross sales.

As a percent of gross sales, net proceeds indicate profitability after the normal revenues and expenses are accounted for. By this criterion, vending machines were the most profitable type of facility with net proceeds of 33.8%, followed by snack bars and other with 23.2%, and cafeterias with 15.8%.

Set-Aside Funds, Net Profit and Fair Minimum Return

Set-aside funds assessed against the net proceeds of vending facilities, an accountable item but optional with the States, amounted to $12.8 million. These funds were collected in participating programs and used to pay for the purchase, maintenance and replacement of equipment, management services, fair minimum return payment to vendors, and fringe benefits.

The remaining net profit to the vendors, after subtracting the $12.8 million set-aside from net proceeds, was $96.8 million, or 22.1% of gross sales nationally. By type of facility, the margin net profit from gross sales was 30.2% for vending machines, 20.5% for snack bars and other, and 13.7% for cafeterias.

Fair minimum return may be paid to vendors from set-aside funds in order to provide a more uniform and equitable income to all vendors. Only nine SLAs used this provision of the Act to contribute a total of $227,084 (which slightly exceeds the total reported in Table 14B due to differences in SLA reporting practices).

Vendors' Earnings

The amount of vendors' earnings is determined by the volume of the program net profit to vendors (i.e. the profit after set aside funds) and the supplementary fair minimum return payments to the vendors. In FY 2002, the vendors' aggregate earnings totaled $97.0 million, as shown in the following statement:

Fig. 2 - Income, Earnings, FY 2002

Item	$Million	Percent
Gross Income	453.4	100.0
Operating Profit	96.8	21.4
Fair Minimum Return	.2	0.1
Aggregate Earnings	97.0	21.4
Average Earnings	37,323	----

This means that, after all kinds of income and expenses were accounted for, the vendors' take-home earnings represented 21.4% of the program revenues from all sources, that is, about twenty cents on the dollar.

The vendors' national average earnings, an important management figure in the program, was $37,323, and ranged from $10,036 in Puerto Rico to $67,249 in Nevada. Vendors in 37 state programs received additional fringe benefits valued at $8.3 million.

Vendors operating vending machine facilities made an average of $41,961 compared to $48,676 for those operating cafeterias, and $30,720 for those in snack bars and other facilities.

NUMBER OF VENDORS AND VENDING FACILITIES

A vendor is a blind person licensed by the State Licensing Agency to operate vending facilities on Federal, public (State, county, municipal), and private property. The vending facilities are classified into three categories: cafeterias, vending machines, snack bars and other.

In FY 2002, 2,681 vendors managed and operated 3,129 vendors' facilities, distributed by location as follows: 912 vendors operated 1,097 vending facilities on Federal property; 1,678 vendors operated 1,928 facilities on public property; and 91 vendors operated 104 facilities on private property.

Of the total 3,129 vending facilities, 348 were cafeterias, 1,407 vending machines, and 1,374 snack bars and other.

A total of 1,101 vending facilities (four more than reported in Table 7, due to differences in reporting mixed vending locations) were granted permits or contracts to operate on Federal property by the following identified Federal

Agencies: General Services Administration - 399, U.S. Postal Service - 335, Department of Defense - 122, Tennessee Valley Authority - 26, Department of Health and Human Services - 23, Department of Justice - 22, Department of Transportation - 13, Department of Veterans Affairs - 9, and other agencies - 152.

In FY 2002, the VF program trained 269 blind persons and placed 146 as vendors. Another 100 were certified but had to wait for employment. Lack of available facilities was a factor in some states.

In FY 2002, 576 blind individuals received upward mobility training. Of the 576 who received upward mobility training, 144 or 25.0% were promoted to a more lucrative job in the program.

Mandatory annual surveys (582 in FY 2002) for potential vending facility locations were conducted, 181 in Federal sites and 401 in non-Federal sites. As a result of the surveys, 53 Federal sites and 152 non-Federal sites were accepted as vending locations. A total of 205 surveyed sites were accepted in FY 2002. Leading reasons for not accepting surveyed sites were “infeasibility of site” (234) and “denied by property manager” (65).

FUNDING SOURCES AND EXPENDITURES

Total public support for the VF program expenditures amounted to $37.6 million, $6.2 million from State appropriations and $31.4 million from Federal funds allocated under Section 110 of the Rehabilitation Act of 1973, as amended (PL 105-220). The remaining expenditures were paid for from set-aside funds assessed against the net proceeds of vendors ($11.5 million) and from unassigned vending machine income ($16.6 million).

The expenditures’ share among the four sources was:

Fig. 3 - Funding Sources, FY 2002

Item	$Million	Percent
Total	65.8	100.0
Vending Machine Income	16.6	25.3
Levied Set-Aside Funds	11.5	17.5
State Appropriations	6.2	9.5
Federal Funds	31.4	47.8

Expenditures from these four funding sources amounted to $65.8 million, administered according to the purposes and priorities set forth in the State plans, as follows (Data from Part III - Section B of the RSA - 15):

$8.1 million for the purchase of new equipment needed for the new facilities as well as for already existing facilities. Federal funds financed 57.4% of the expenses involved. The national average cost to establish a new facility was estimated at $25,585.

$7.4 million to maintain the equipment in good repair.

$7.7 million to replace equipment. Set-aside and Federal funds paid respectively for most of these two items. The national average cost to maintain and replace equipment was estimated at $5,078 per facility.

$3.3 million to refurbish existing facilities in order to improve their appearance and efficiency were paid for by funds from the four sources.

$27.3 million for management services. These are services provided on a systematic basis by the program management services staff to support and improve the business operation. Federal funds financed 61.7% of the expenses involved.

$220,624 as fair minimum return payments to vendors, paid almost entirely from set-aside funds, to provide a uniform minimum income to all vendors under the program.

$8.3 million, paid mainly from vending machine income and set-aside funds, **for fringe benefits under the form of:**

retirement/pension	**$4.3 million**
health insurance	**$3.5 million**
sick leave/vacation time	**$0.5 million**

$1.4 million, paid from non-federal vending machine income and Federal and State funds, for **initial stock and supplies.**

$2.2 million for other expenditures, paid from non-Federal vending machine income and State funds.

Figure 4 provides a summary of the program handling expenditures and funding priorities:

Fig. 4 - Expenditures, FY 2002

Item	$Million	Percent
Total	65.8	100.0
Facilities Upkeep	26.4	40.1
Management Services	27.3	41.5
Fringe Benefits & FMR	8.5	12.9
Stock/Supplies, Other	3.6	5.5
Note: Differences in calculation of totals are due to rounding.		

The Interstate Highway Program

In FY 2002, total receipts of all 972 vending locations operated under the Interstate Highway Program amounted to $39.1 million. The total from vending machine receipts at locations operated by vendors was $29.5 million. The number of vendors employed in the highway program was 494.

T A B L E S